Hospital Provider Fee Oversight and Advisory Board

February 23, 2016

Presented by: Nancy Dolson
Our Mission

Improving health care access and outcomes for the people we serve while demonstrating sound stewardship of financial resources
Objectives

• Proposed 2015-16 hospital provider fee model discussion
  ➢ Hospital provider fee program overview
  ➢ Fees and payments summary
  ➢ Fees and payments methodologies
Hospital Provider Fee Overview

- Increase hospital reimbursement for Medicaid and uninsured patients
- Fund hospital quality incentive payments
- Expand health care coverage in Medicaid and Child Health Plan Plus (CHP+) programs
- Reduce uncompensated care costs and need to shift those costs to other payers
Provider Fee from Hospitals

Increased Payment to Hospitals

Cash Fund (Provider Fee + Federal Match)

Federal Match from CMS

Expanded Coverage to Colorado Citizens
Hospital Provider Fee Overview

• Net Patient Revenue (NPR) - limits total provider fees that can be collected

• Upper Payment Limit (UPL) - limits total supplemental Medicaid payments that can be paid

• Disproportionate Share Hospital (DSH) Limit - limits hospital specific DSH payments that can be paid
Hospital Provider Fee Overview

Net Patient Revenue (NPR)

- Provider fee collection limited to 6% of NPR
- Estimated using historical data inflated forward
- Inpatient NPR equals proportion of inpatient revenue to total hospital revenue, multiplied by total hospital NPR, multiplied by inflation
- Outpatient NPR equals total hospital NPR less inpatient NPR, multiplied by inflation
Hospital Provider Fee Overview

Upper Payment Limit (UPL)

• Supplemental Medicaid payments limited to UPL
• Maximum Medicaid is allowed to reimburse to hospitals
• Aggregate, not hospital-specific limit
• Completed for both inpatient and outpatient
• UPL room equals Medicaid cost plus provider fee less MMIS payments less non-provider fee supplemental payments
Upper Payment Limit

UPL Room or “Gap”

Supplemental Payments

Base Rate (Claim) Payments

CALCULATED UPPER PAYMENT LIMIT: MEDICAID COST
Upper Payment Limit

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<table>
<thead>
<tr>
<th>Public Facilities</th>
<th>Public, Non State-Owned Facilities</th>
<th>Public, Non State-Owned Facilities</th>
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INPATIENT

<table>
<thead>
<tr>
<th>Public, State-Owned Facilities</th>
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<tr>
<th>Private Facilities</th>
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OUTPATIENT

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<thead>
<tr>
<th>Public, State-Owned Facilities</th>
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C O L O R A D O
Department of Health Care Policy & Financing
Disproportionate Share Hospital (DSH) Limit

- DSH payments limited to hospital-specific DSH limit
- DSH limit equals inpatient and outpatient Medicaid and uninsured costs less total Medicaid payments
- DSH funds exceeding hospital-specific DSH limits must be repaid
2015-16 Hospital Provider Fee Overview

• Governor’s Budget Proposal: fee collection in SFY 2016-17 of $656 million

• 2015-16 Hospital Provider Fee Model

  ➢ $668 million fees
    • Net Patient Revenue - 4.95%
  ➢ $1.12 billion in hospital supplemental payments
    • Upper Payment Limit - 96.3%
### 2015-16 Hospital Provider Fee Overview

<table>
<thead>
<tr>
<th>Net Hospital Reimbursement</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Supplemental Payments</td>
<td>$ 1,120,800,000</td>
</tr>
<tr>
<td>CICP prior to provider fee</td>
<td>$(163,000,000)</td>
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<tr>
<td>Total Fees</td>
<td>$(667,800,000)</td>
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<tr>
<td>Net Reimbursement to Hospitals</td>
<td>$290,000,000</td>
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</tbody>
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## 2015-16 Hospital Provider Fee Overview

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Fees</th>
<th>Federal Funds</th>
<th>Total Funds</th>
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</thead>
<tbody>
<tr>
<td><strong>Supplemental Payments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inpatient (IP)</td>
<td>$225,100,000</td>
<td>$231,700,000</td>
<td>$456,800,000</td>
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<tr>
<td>Outpatient (OP)</td>
<td>$130,900,000</td>
<td>$134,600,000</td>
<td>$265,500,000</td>
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<tr>
<td>Uncompensated Care</td>
<td>$56,900,000</td>
<td>$58,600,000</td>
<td>$115,500,000</td>
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<tr>
<td>Disproportionate Share Hospital (DSH)</td>
<td>$97,700,000</td>
<td>$100,500,000</td>
<td>$198,200,000</td>
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<tr>
<td>Hospital Quality Incentive Payment (HQIP)</td>
<td>$41,800,000</td>
<td>$43,000,000</td>
<td>$84,800,000</td>
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<tr>
<td><strong>Total Supplemental Payments</strong></td>
<td>$552,400,000</td>
<td>$568,400,000</td>
<td>$1,120,800,000</td>
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<tr>
<td><strong>Other Fee Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid Expansion</td>
<td>$76,400,000</td>
<td>$1,748,200,000</td>
<td>$1,824,600,000</td>
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<tr>
<td><strong>Medicaid Parents</strong></td>
<td>$16,800,000</td>
<td>$248,500,000</td>
<td>$265,300,000</td>
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<tr>
<td><strong>Adults without Dependent Children</strong></td>
<td>$4,000,000</td>
<td>$1,410,100,000</td>
<td>$1,414,100,000</td>
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<td><strong>Buy-In for Individuals with Disabilities</strong></td>
<td>$20,500,000</td>
<td>$21,000,000</td>
<td>$41,500,000</td>
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<tr>
<td><strong>CHP+ Children and Pregnant Women</strong></td>
<td>$5,700,000</td>
<td>$38,300,000</td>
<td>$44,000,000</td>
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<td><strong>Medicaid Children Continuous Eligibility</strong></td>
<td>$29,400,000</td>
<td>$30,300,000</td>
<td>$59,700,000</td>
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<tr>
<td>Administration</td>
<td>$20,700,000</td>
<td>$31,700,000</td>
<td>$52,400,000</td>
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<tr>
<td>Cash Fund Reserve</td>
<td>$2,600,000</td>
<td>$0</td>
<td>$2,600,000</td>
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<tr>
<td>Transfer to General Fund - 25.5-4-402.3 (4)(b)(VIII)</td>
<td>$15,700,000</td>
<td>$0</td>
<td>$15,700,000</td>
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<tr>
<td><strong>Total Other Fee Expenditures</strong></td>
<td>$117,800,000</td>
<td>$1,779,900,000</td>
<td>$1,897,700,000</td>
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<td><strong>Grand Total</strong></td>
<td>$667,800,000</td>
<td>$2,350,700,000</td>
<td>$3,018,500,000</td>
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</table>
2015-16 Hospital Provider Fee Overview ($ in Millions)

- Hospital Provider Fee limited by Net Patient Revenue (NPR)
  - $668 Hospital Provider Fee Dollars (HPF)
- Total Available Dollars (TF)
  - $3,019
  - $2,351 Federal Matching Dollars (FF)
- Medicaid Expansion
  - $1,825 TF
    - [$76 HPF / $1,748 FF]
- Supplemental Payments
  - $1,121 TF
    - [$552 HPF / $568 FF]
- Administration Expenses
  - $55 TF
    - [$21 HPF / $34 FF]
- Transfer to General
  - 25.5-4-402.3 (4)(b)(VIII) Fund
    - $16 TF
      - [$16 HPF / $0 FF]

Net Hospital Reimbursement

Supplemental Payments = $1,121
CICP Prior to HB 09-1293 = $(-163)
Hospital Provider Fee = $(-668)
Net Benefit to Hospitals = $290
2015-16 Fees

• Inpatient fee
  ➢ Assessed on managed care and non-managed care patient days
  ➢ Per non-managed care day: $355.49
  ➢ Per managed care day: $79.54
  ➢ Total: $385.4 million

➢ Data source:
  ▪ Total patient days from hospital’s 2013 CMS 2552-10 cost report
  ▪ Managed care days reported by hospital
  ▪ Non-managed care days equals total days less managed care days
2015-16 Fees

• Outpatient fee
  ➢ Assessed on percentage of total outpatient charges
  ➢ Percentage of total charges: 1.534%
  ➢ Total: $282.4 million
  ➢ Data source
    ▪ Hospital’s 2013 CMS 2552-10 hospital cost report
2015-16 Fees

• Fee exempt
  ➢ Psychiatric, long term acute care, and rehabilitation hospitals

• Discounted fee
  ➢ Inpatient fee
    ▪ High Volume Medicaid & CICP hospitals discounted 47.79%
    ▪ Essential Access hospitals discounted 60.00%
  ➢ Outpatient fee
    ▪ High Volume Medicaid & CICP hospitals discounted 0.84%
2015-16 Payments

• Inpatient Base Rate Supplemental
  ➢ Increase rates for inpatient hospital care for Medicaid clients
  ➢ Total: $456.8 million
  ➢ Calculation:
    ▪ Hospital Medicaid base rate before add-ons multiplied by case mix, multiplied by estimated Medicaid discharges, and multiplied by percentage adjustment factor
    ▪ Adjustment factors vary for rehabilitation, long term acute care, high volume, teaching, pediatric, rural, and NICU hospitals
  ➢ Data source:
    ▪ Department hospital inpatient base rate calculations
2015-16 Payments

• Outpatient Base Rate Supplemental
  ➢ Increase rates for outpatient hospital care for Medicaid clients
  ➢ Total: $265.5 million
  ➢ Calculation:
    ▪ Hospital estimated Medicaid outpatient cost multiplied by percentage adjustment factor
    ▪ Adjustment factors vary for rehabilitation, long term acute care, pediatric, rural, and NICU hospitals
  ➢ Data source:
    ▪ Outpatient UPL calculation
2015-16 Payments

- Uncompensated Care Supplemental
  - Reduce uncompensated hospital care provided to persons who are uninsured
  - Total: $115.5 million
  - Calculation:
    - $23.5 million distributed to hospitals with 25 or fewer beds, based on proportion of beds
    - $92 million distributed to other qualified hospitals, based on proportion of uninsured cost compared to all qualified hospitals
  - Data sources:
    - Department of Public Health and Environment licensed beds
    - Hospital uninsured cost calculation via data aggregation report
2015-16 Payments

- Disproportionate Share Hospital (DSH)
  - Reduce uncompensated hospital care for Colorado Indigent Care Program (CICP) hospitals and other DSH hospitals
  - Total: $198.2 million
  - Calculation:
    - 100% of estimated hospital-specific DSH limit for hospitals whose CICP write-off costs are more than 750% of average
    - 96% of estimated hospital-specific DSH limit for hospitals whose CICP write-off costs are between 200% and 750% of average
    - Remaining DSH funds distributed to qualified hospitals based on proportion of uninsured costs to not exceed 96% of estimated hospital-specific DSH limit
2015-16 Payments

• Disproportionate Share Hospital (DSH)

  ➢ Data sources:

  ▪ Hospital-specific DSH limit: Medicaid inpatient, Medicaid outpatient, and uninsured cost calculations via data aggregation report less estimated Medicaid fee for service and supplemental payments from MMIS claims data, Department records

  ▪ Hospital uninsured cost calculation via data aggregation report
2015-16 Payments

- Hospital Quality Incentive Payment (HQIP)
  - Payment to hospitals providing services that improve quality of care and health outcomes
  - Total: $84.8 million
  - Calculation:
    - Awarded quality points multiplied by Medicaid adjusted discharges multiplied by dollars per adjusted discharge point
  - Data sources:
    - MMIS claims data, hospital survey, and Colorado Hospital Association (CHA) Hospital Report Card
Discussion
Contact Information

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Thank You!